

MARK D. WALDRON
(former) Chapter 11 Trustee
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**The Honorable Frederick P. Corbit
Chapter 7**

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF WASHINGTON

In Re:

GIGA WATT INC.

Debtor.

Case No. 18-03197-FPC11

**CHAPTER 11 TRUSTEE'S FINAL
REPORT AND ACCOUNTING
PURSUANT TO FRBP 1019(5)(A)(ii)**

COMES NOW Mark D. Waldron, formerly the Court-appointed Chapter 11 Trustee in the above proceeding, and files this Final Report and Accounting pursuant to the Federal Rules of Bankruptcy Procedure (FRBP) 1019(5)(A)(ii).

In this voluntary Chapter 11 bankruptcy proceeding, the Court appointed Mark D. Waldron as Chapter 11 Trustee on January 24, 2019 (Docket No. 146). The Trustee secured and took control of the known assets of the bankruptcy estate. A Chapter 11 bankruptcy estate financial account was established at Rabobank on February 13, 2019, until the Trustee terminated his relationship with Rabobank and transferred all funds to Metropolitan Bank on March 20, 2019, when a new Chapter 11 estate account was established. (It should be noted that the decision to change financial institutions was not based upon any inappropriate activity or other concerns, it was simply a business decision by the Trustee to change financial institutions.)



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1 Attached to this Final Report are the Ledger Report (Exhibit 1) and Operating
2 Statement (Exhibit 2) for the period of the Chapter 11 Trustee's appointment. On
3 October 8, 2020, following conversion to a Chapter 7 proceeding, the Chapter 11 Trustee
4 transferred all funds (\$385,249.51) to the Chapter 7 Trustee. All checks written during the
5 Chapter 11 proceeding have cleared the bank and there is now a zero bank balance, as
6 evidenced by the transaction report from Metropolitan Bank, attached hereto and
incorporated herein by reference as Exhibit 3).

7 The Chapter 11 Trustee timely filed Monthly Financial Reports which summarized
8 all activities and included as attachments the Ledger Reports, Operating Statements and
9 bank statements for each month.

10 At the conclusion of the Chapter 11, the following matters or activities were pending
and all details/files have been transferred to the Chapter 7 Trustee:

11 1. Condominium at Northwest Cliffe Point Road, Quincy, Washington. As part
12 of the settlement of the TNT facility litigation involving David Carlson (Adv. Pro. 19-80012),
13 the Estate received title to this residential condominium. The condominium is free and
14 clear and has no obligations related thereto, except for monthly Condominium Owners
15 Association (COA) dues (\$195.00/month) and minimal utility bills (\$20.00). The Trustee
16 negotiated and accepted a sale offer of \$277,500.00 and the Court approved the sale by
17 Order entered on September 24, 2020 (Docket No. 732). The sale is scheduled to close
18 on or before November 16, 2020. Prior to conversion, the Chapter 11 Trustee paid all
19 COA dues and utilities through the end of September 2020. Any outstanding COA dues
and utilities will be paid at the time of closing of the sale.

20 2. Moses Lake Facility. Prior to the conversion, the Chapter 11 Trustee shut
21 down operations at Moses Lake on March 13, 2020. Thereafter, the Trustee negotiated
22 three agreements to facilitate vacating the premises and returning the facility to the
landlords in an efficient and orderly manner, as follows:

23 A. Settlement with Allrise Financial Group, Inc. The Chapter 11 Trustee
24 entered into a settlement agreement with Allrise whereby Allrise would release its general



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1 unsecured claim in the amount of \$2,827,956.00 and administrative claim in the amount
2 of \$165,100.00 in exchange for the transfer of 100 miners, among other terms. A motion
3 seeking Court approval for the settlement was filed on August 25, 2020 (Docket No. 685)
4 and the Court approved the settlement by Order entered on September 24, 2020 (Docket
5 No. 733). The 100 miners were removed from the Moses Lake facility by Allrise on
6 October 13, 2020.

7 B. Sale of Inventory/Equipment at Moses Lake Facility. The Chapter 11
8 Trustee secured bonafide third parties interested in purchasing various inventory and
9 equipment located at the Moses Lake facility. A motion seeking Court approval for the sale
10 and bidding procedures was filed on September 23, 2020 (Docket No. 720). By Order
11 entered on October 20, 2020 (Docket No. 765), the Court approved the sale and bidding
12 procedures. The Chapter 7 Trustee conducted the auction sale telephonically on October
13 20, 2020 and the inventory/equipment was sold to Soluna Technologies, Ltd. for the sum
14 of \$112,000.00. The Chapter 7 Trustee has filed a Report of Sale (Docket No. 776).

15 C. Settlement with Moses Lake Landlords. The Chapter 11 Trustee
16 negotiated a settlement of disputes with the Moses Lake landlords. In summary, the
17 settlement agreement released the Estate of a general unsecured claim in the amount of
18 \$255,265.47 (Claim No. 283-1), as well as an administrative claim in the amount of
19 \$1,156,764.03 in administrative rent, unpaid post-petition electricity bills and fees, in
20 exchange for payment by the Estate in the amount of \$169,128.43. The parties executed
21 a Settlement Agreement and Release and a motion seeking Court approval was filed on
22 shortened time on September 23, 2020, setting the matter for hearing on October 6, 2020
23 (See Docket Nos . 724-727). However, the case was converted prior to entry of an Order.
24 The agreement was made during the Chapter 11 proceeding with the Ch11 Trustee,
25 however based on the priorities in a Chapter 7, the Chapter 7 Trustee cannot pay this
Chapter 11 expense until all administrative expenses in both the Chapter 7 and Chapter 11
are determined by the Court and payment is approved.



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1 3. Settlement with TNT Business Complexes, LLC. Prior to the Chapter 11
2 bankruptcy filing, the Debtor had entered into a lease with the TNT Business Complexes,
3 LLC, the landlord for a facility located at Rock Island, Washington. At the time of the
4 bankruptcy filing, the lease was still in existence, however the crypto mining facility had
5 ceased operating. The lease was not assumed, but the Debtor was holding over and
6 occupying the Rock Island facility during the bankruptcy proceeding. The landlord filed a
7 Proof of Claim (No. 40-3) for unpaid rent and damages. The Chapter 11 Trustee vacated
8 the facility, however the Trustee believed that some of the damage claim was subject to
9 a bonafide and reasonable dispute. The landlord and Chapter 11 Trustee entered into a
10 written settlement agreement to fix and approve the landlord's claim related to the Rock
11 Island facility, subject to Court approval. It is anticipated that the Chapter 7 Trustee will
12 seek approval of this Chapter 11 administrative claim pursuant to the written agreement
13 between the parties.

14 4. Douglas County PUD. Beveridge and Diamond P.C., the Court-approved
15 special counsel, is continuing its investigation and formal discovery regarding the
16 termination of the Interconnection and Services Agreement between Douglas County PUD
17 and Giga Watt. Beveridge and Diamond were employed upon a contingent fee agreement.
18 This matter is unresolved.

19 5. Initial Coin Offering (ICO) and Other Potential Claims of the Estate. At the
20 time of the conversion, the Chapter 11 Trustee was continuing his investigation into various
21 financial claims, which have been and will be provided to the Chapter 7 Trustee.

22 6. Taxes / Tax Reporting. As of July 2020, no further B&O tax returns were
23 required to be filed and no B&O taxes are due. As of the date of conversion, the Debtor
24 was not delinquent on any post-petition tax obligations.

25 7. Monthly Financial Reports / U.S. Trustee Fees. All Monthly Financial
Reports have been filed through August 2020 and this Report encompasses the
September 2020 financials. All U.S. Trustee quarterly fees have been paid through the
2nd Quarter of 2020. The Chapter 11 Trustee has provided a written summary of the



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1 disbursements to the U.S. Trustee to assist the U.S. Trustee in filing its claim for quarterly
2 fees due for the 3rd Quarter of 2020.

3 I certify under penalty of perjury that the information contained in this Final Report
4 and Accounting is complete, true, and accurate to the best of my knowledge, information
5 and belief.

6 **DATED** this 27th day of October, 2020.

7
8 /s/ MARK D. WALDRON

9 MARK D. WALDRON, WSBA# 9578
10 (former) Chapter 11 Trustee for the Estate of
11 Giga Watt Inc.
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